

Henry Schein Reports Record Quarterly Results; Third Quarter EPS Increases 23% to \$0.58, Net Sales Up 9.4%, Operating Cash Flow Reaches \$50 Million

November 6, 2001

MELVILLE, N.Y.--(BUSINESS WIRE)--Nov. 6, 2001--

Company Updates 2001 EPS Guidance, Introduces 2002 EPS Guidance

Henry Schein, Inc. (Nasdaq:HSIC), the largest provider of healthcare supplies to office-based practitioners in the combined North American and European markets, today announced financial results for the third quarter of 2001.

For the three months ended September 30, 2001, the Company reported all-time record financial performance, including:

- Record quarterly sales of \$659.8 million
- Record operating income of \$41.9 million
- Record net income of \$25.2 million
- Record diluted EPS of \$0.58

Net sales for the third quarter of 2001 increased 9.4% to \$659.8 million, from \$603.3 million in the third quarter of last year. In local currencies, net sales increased 9.7%. Net income for the third quarter of 2001 was \$25.2 million, or \$0.58 per diluted share, compared with adjusted net income of \$19.6 million, or \$0.47 per diluted share, in the third quarter of 2000. Third quarter 2001 net income increased 28.6%, and earnings per diluted share were up 23.4%, both compared with the adjusted figures from the third quarter of 2000.

For the first nine months of 2001, net sales increased 7.8% to \$1.86 billion, from \$1.73 billion for the first nine months of 2000. In local currencies, nine-month net sales increased by approximately

- 8.8%. Year-to-date net income was \$60.2 million, or \$1.39 per diluted share, compared with adjusted net income of \$48.0 million, or \$1.15 per diluted share, in the prior year. Nine-month 2001 net income increased 25.6%, and year-to-date earnings per diluted share increased
- 20.9%, both compared with adjusted figures from the comparable prior-year period.

"We are extremely proud of our record setting third quarter financial performance. Net sales growth of nearly 10% in local currencies remains almost double ahead of what we believe to be the consolidated growth rate of the markets we serve, which continue to do well and remain largely resistant to periodic negative swings in overall economic conditions," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. "We continue to see the benefits of the various cost-saving initiatives put in place last year. For the quarter, our operating margin improved by 70 basis points when compared with last year, and now stands at 6.4%. A growing top line, coupled with these operating efficiencies, has generated record high quarterly net income and earnings per diluted share."

Mr. Bergman continued, "Our operating cash flow continues to be excellent, reaching \$50 million during the third quarter."

The Company reported third quarter Dental sales of \$276.2 million, an increase of 4.5% compared with the comparable prior-year period. Dental merchandise sales increased 4.8% while Dental equipment sales and service revenues were up 3.0% for the third quarter of 2001, compared with the third quarter of 2000.

"We continue to build upon several recent initiatives to drive sales of dental products, including a gross profit-based field sales consultant compensation program," said Mr. Bergman. "Among additional growth initiatives, we expect to further leverage Henry Schein's presence on more than 39,000 dental practitioner desktops by cross-selling our other value-added products and services designed to help our customers operate a more efficient and profitable business. We are encouraged by our progress in this area, as evidenced by a 40% increase in e-claims revenue generated last quarter."

Led by sales to the Company's core physician office and alternate-care markets, Henry Schein's Medical Group continues to be a major force in the industry and posted sales of \$260.0 million for the third quarter of 2001, an increase of 18.5% over the prior year's third quarter.

International sales for the third quarter of 2001 were \$92.8 million, an increase of 3.8% in U.S. dollars and an increase of 5.2% in local currencies, compared with the third quarter of 2000. Veterinary sales declined 6.4% to \$13.4 million for the same period. Sales of Technology and Value-Added Services were \$17.4 million for the third quarter of 2001, an increase of 9.1% over last year.

Looking at the balance of 2001 and at 2002, Mr. Bergman commented, "We continue to be comfortable with fourth quarter 2001 EPS growth in the mid-teens. This growth is compared to last year's adjusted EPS which excludes \$0.22 per diluted share related to restructuring costs (net of tax benefits) and one-time losses on divestitures. For 2002, we anticipate a full-year base growth rate in EPS of about 15%, plus approximately \$0.17 per share due to accounting changes in the amortization of goodwill under SFAS 142, and \$0.01-\$0.02 accretion related to our recent acquisition of the full-service dental business of Zila, Inc."

Live Webcast

The Company will hold a conference call to discuss these results today, beginning at 10:00 a.m. Eastern Standard Time. Individual investors are invited to listen to the conference call over the Internet through Henry Schein's Web site at www.henryschein.com. In addition, a replay will be

available for 30 days beginning shortly after the call has ended.

Henry Schein, Inc. is the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. Recognized for its excellent customer service and low prices, the Company serves more than 400,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions.

The Company operates its five business groups - Dental, Medical, Veterinary, International and Technology - through a centralized and automated distribution network, which provides customers in more than 125 countries with a comprehensive selection of over 80,000 national and Henry Schein private-brand products. Henry Schein also offers a wide range of innovative value-added practice solutions, including such leading practice management software systems as DENTRIX(R) and Easy Dental(R), for dental practices, and AVImark(R) for veterinary clinics, which are installed in over 44,000 practices; and Aruba(R), Henry Schein's electronic catalog and ordering system. Headquartered in Melville, New York, Henry Schein employs over 6,500 people in 16 countries. The Company's 2000 sales reached a record \$2.4 billion. For more information, visit the Henry Schein Web site at www.henryschein.com.

Certain information contained herein includes information that is forward-looking. The matters referred to in forward-looking statements may be affected by the risks and uncertainties involved in the Company's business. These forward-looking statements are qualified in their entirety by the cautionary statements contained in the Company's Securities and Exchange Commission filings.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	Sept 29, 2001	Sept 23, 2000	Sept 29, 2001	Sept 23, 2000
		(reclassified)		(reclassified)
Net sales	\$ 659,774	\$ 603,319	\$ 1,859,954	\$ 1,726,089
Cost of sales	480,918	441,368	1,354,849	1,256,207
Gross profit	178,856	161,951	505,105	469,882
Operating expenses:				
Selling, general and administrative	136,981	127,620	400,375	380,507
Merger and integration costs	0	0	0	585
Restructuring costs	0	5,387	0	5,387
Operating income	41,875	28,944	104,730	83,403
Other income (expense):				
Interest income	2,266	2,322	6,684	4,342
Interest expense	(3,843)	(4,841)	(14,107)	(15,540)
Other - net	87	108	384	(538)
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	40,385	26,533	97,691	71,667
Taxes on income	14,942	9,623	36,146	26,175
Minority interest in net income of subsidiaries	322	338	1,647	1,375
Equity in earnings (losses) of affiliates	74	(334)	339	(100)
Net income	\$ 25,195	\$ 16,238	\$ 60,237	\$ 44,017
Adjusted net income:				
Net income	\$ 25,195	\$ 16,238	\$ 60,237	\$ 44,017
Adjustments:				
Merger and				

integration costs	0	0	0	585
Restructuring costs	0	5,387	0	5,387
Tax effect on restructuring costs	0	(2,030)	0	(2,030)
Adjusted net income	\$ 25,195	\$ 19,595	\$ 60,237	\$ 47,959
Adjusted net income per common share:				
Basic	\$ 0.59	\$ 0.48	\$ 1.42	\$ 1.17
Diluted	\$ 0.58	\$ 0.47	\$ 1.39	\$ 1.15
Weighted average shares:				
Basic	42,488	41,251	42,276	41,062
Diluted	43,517	41,860	43,188	41,568

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	Sept 29, 2001	December 30, 2000
	(unaudited)	(audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 107,854	\$ 58,362
Accounts receivable, less reserves of \$28,863 and \$27,556, respectively	416,106	371,668
Inventories	248,956	276,473
Deferred income taxes	22,945	21,001
Prepaid expenses and other	45,917	60,900
Total current assets	841,778	788,404
Property and equipment, net of accumulated depreciation and amortization of \$89,113 and \$73,134, respectively	109,008	94,663
Goodwill and other intangibles, net of accumulated amortization of \$53,216 and \$44,419, respectively	276,189	292,018
Investments and other	54,461	55,983
	\$ 1,281,436	\$ 1,231,068
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 200,243	\$ 216,535
Bank credit lines	8,878	4,390
Accruals:		
Salaries and related expenses	32,737	39,830
Merger, integration and restructuring costs	7,489	13,735
Accrued income taxes	23,731	1,720
Other	76,213	82,568
Current maturities of long-term debt	8,459	6,079
Total current liabilities	357,750	364,857
Long-term debt	250,651	266,224
Other liabilities	12,477	12,931

Total liabilities	620,878	644,012
Minority interest	6,161	7,996
Stockholders' equity:		
Common stock, \$.01 par value, authorized 120,000,000; issued and outstanding 42,668,355 and 41,946,284, respectively	426	419
Additional paid-in capital	390,789	373,413
Retained earnings	285,266	225,029
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive income	(20,556)	(18,179)
Deferred compensation	(372)	(466)
Total stockholders' equity	654,397	579,060
	\$ 1,281,436	\$ 1,231,068

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	Sept 29, 2001	Sept 23, 2000
Cash flows from operating activities:		
Net income	\$ 25,195	\$ 16,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,193	8,052
Provision for losses and allowances on trade and other receivables	3,971	2,421
Other	5,492	1,464
Changes in assets and liabilities (net of purchase acquisitions):		
Increase in accounts receivable	(47,067)	(35,362)
Decrease in inventories	11,691	10,576
Decrease (increase) in other current assets	927	(7,406)
Increase in accounts payable and accruals	40,442	23,777
Net cash provided by operating activities	49,844	19,760
Cash flows from investing activities:		
Capital expenditures	(17,024)	(7,943)
Business acquisitions, net of cash acquired	(336)	(5,667)
Other	(1,556)	(3,525)
Net cash used in investing activities	(18,916)	(17,135)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	10,166	0
Principal payments on long-term debt	(8,083)	(1,147)
Proceeds from issuance of stock upon exercise of stock options by employees	1,993	294
Payments on borrowings from banks	(296)	(12,521)
Other	(221)	89

Net cash provided by	-----	-----
(used in) financing activities	3,559	(13,285)
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Net increase (decrease) in		
cash and cash equivalents	34,487	(10,660)
Effect of exchange rate changes on cash	(2,480)	2,002
Cash and cash equivalents,		
beginning of period	75,847	45,900
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Cash and cash equivalents, end of period	\$ 107,854	\$ 37,242
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